

August 31, 2011

John Tennant
General Counsel
San Jose Police Officers' Association
1151 North Fourth Street
San Jose, CA 95112

RE: City of San Jose/POA Interest Arbitration – Selection of Arbitrator Panel

Dear John:

We are in receipt of your letter dated August 11, 2011, in which you write to follow-up on our conference call from July 20th, in which we discussed the binding interest arbitration on the issue of whether the 10% wage reduction that the POA agreed to should be ongoing or one-time. We appreciate you confirming that Mr. Jim Unland, POA Vice President, will serve as the Union representative on the arbitration panel. I will be serving as the City representative on the arbitration panel.

In your letter you express concerns regarding the City's preference for a retired former judge to serve as the Chair of the Board, and request that we reconsider the use of a retired judge. You are correct in that the amended provisions of Charter Section 1111 require the City and Union first try to agree on the neutral arbitrator, and only after that process has been satisfied, the default option is to have the Santa Clara County Superior Court appoint a retired judge.

In accordance with the City Charter, the City will work with the Union representative to try to agree on a mutually acceptable third panel member. We will contact Mr. Unland in the next several days to begin this process.

If the parties are unable to reach an agreement, as you have indicated, the default option will be to contact the Santa Clara County Superior Court to appoint a retired judge to serve as the Chair of the Board.

In your letter you point out the cost factor of using a retired judge. We would point out that the cost of any interest arbitration, whether under the prior provisions or amended City Charter provision, would be very costly. As you know, preparation and the use of

experts used to testify can be significantly expensive. Just as you are requesting that we consider the use of an arbitrator, as the City will do, the City also requests that the POA reconsider going to binding interest arbitration altogether, and agree to make the 10% wage reduction ongoing. This would avoid all costs and is consistent with the reductions achieved with all other employee groups, which is a 10% ongoing total compensation reduction.

As you indicate, it would be beneficial to both parties to avoid further expenses, at a time when the City continues to have a budget deficit and has had to make the difficult decision to reduce services to the community and layoff employees, including police officers.

Again, we ask you to consider making the 10% wage reduction ongoing to avoid the binding interest arbitration on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Alex Gurza', with a stylized flourish at the end.

Alex Gurza
Deputy City Manager

c: Gina Donnelly, Deputy Director of Employee Relations
Jon Holtzman, Renne Sloan Holtzman Sakai LLP
Nora Frimann, City Attorney's Office
Gregg McLean Adam, Carroll, Burdick & McDonough LLP
George Beattie, President, POA
Jim Unland, Vice President, POA